

STATE OF WASHINGTON
OFFICE OF THE INSURANCE COMMISSIONER

In The Matter of

**FARMERS INSURANCE COMPANY
OF WASHINGTON**

Authorized Insurer.

Order No. 15-0069

WAOIC No. 420

NAIC No. 21644

CONSENT ORDER LEVYING A FINE

This Consent Order Levying a Fine ("Order") is entered into by the Insurance Commissioner of the state of Washington, acting pursuant to the authority set forth in RCW 48.02.060 and RCW 48.05.185, and Farmers Insurance Company of Washington, an authorized insurer.

BASIS:

1. Farmers Insurance Company of Washington ("the Company") is an authorized domestic insurer admitted July 28, 1970. It issues property, casualty, disability, marine, surety and vehicle insurance.

2. On October 14, 2014, Michelle Stender of the Company contacted the Office of the Insurance Commissioner ("Insurance Commissioner") about a policy rating issue that it had recently resolved. The Company rate filing FARM-127903294, which began to affect renewal customers on June 12, 2012, included a transition rule which capped the effects of this rate filing on renewal customers' premiums at +10% and -4%.

3. When the Company programmed this premium-capping calculation, it inadvertently omitted the underinsured motorist rate changes that were included in the filing. As a result, the premium change for many policies was outside the range from +10% to -4%, and

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Office of Insurance Commissioner
P O Box 40255
Olympia WA 98504-0255

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was thus not in accordance with the Company' filed rates. For some policies, similar errors were made on as many as three policy terms (renewals), so for some policies there are as many as three violations of RCW 48.19.040(6).

4. The Company first identified this issue in October 2012 but did not report it to Insurance Commissioner until October 2014.

5. The Company issued premium refunds (or credits) to the 38,054 customers (38,071 policies) who were overcharged, along with interest calculated at 5.25% per annum. Total refunds, including interest, amounted to \$643,087. The average refund amount was approximately \$17. Refunds were issued between July 12 and August 15, 2014.

6. By making and issuing insurance contracts not in accordance with their filings then in effect, the Company violated RCW 48.19.040(6).

CONSENT TO ORDER:

The Insurance Commissioner of the state of Washington and the Company agree that the best interest of the public will be served by entering into this Order. NOW, THEREFORE, the Company consents to the following in consideration of its desire to resolve this matter without further administrative or judicial proceedings. The Insurance Commissioner consents to settle this matter in consideration of the Company's payment of a fine and upon such terms and conditions as are set forth below:

1. The Company acknowledges its duty to comply fully with the applicable laws of the state of Washington.

2. The Company consents to the entry of this Order, waives any and all hearing or other procedural rights, and further administrative or judicial challenges to this Order.

3. By agreement of the parties, the Insurance Commissioner will impose a fine of \$100,000 (One Hundred Thousand Dollars).

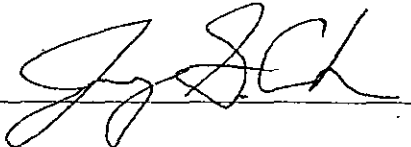
4. Within 90 days of the date of the entry of this Order, the Company will issue additional interest to equal 8% per annum to policyholders who were overcharged.

5. The Company understands and agrees that any further failure to comply with the statutes and/or regulations that are the subject of this Order constitutes grounds for further penalties, which may be imposed in direct response to further violations.

6. This Order and the violations set forth herein constitute admissible evidence that may be considered in any future action by the Insurance Commissioner involving the Company. However, the facts of this Order, and any provision, finding or conclusion contained herein does not, and is not intended to, determine any factual or legal issue or have any preclusive or collateral estoppel effects in any lawsuit by any party other than the Insurance Commissioner.

EXECUTED this 22nd day of April, 2015.

FARMERS INSURANCE
COMPANY OF WASHINGTON

By: 

Printed Name: JEREMY COOK

Printed Corporate Title: Head of Product Management
Farmers Auto West

AGREED ORDER:

Pursuant to the foregoing factual Basis and Consent to Order, the Insurance Commissioner of the state of Washington hereby Orders as follows:

1. The Company shall pay a fine in the amount of \$100,000 (One Hundred Thousand Dollars).
2. Within 90 days of the date of the entry of this Order, the Company will issue additional interest to equal 8% per annum to policyholders who were overcharged.
3. This Order and the violations set forth herein constitute admissible evidence that may be considered in any future action by the Insurance Commissioner involving the Company. However, the facts of this Order, and any provision, finding or conclusion

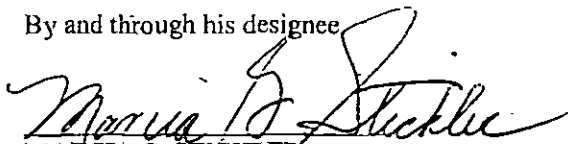
contained herein does not, and is not intended to, determine any factual or legal issue or have any preclusive or collateral estoppel effects in any lawsuit by any party other than the Insurance Commissioner.

ENTERED this 29th day of April 2015.



MIKE KREIDLER
Insurance Commissioner

By and through his designee



MARCIA G. STICKLER
Insurance Enforcement Specialist
Legal Affairs Division